



FIFTIETH ANNUAL REPORT

THE CROOK HILL PAPER COMPANY
LIMITED

PRINTED IN GREAT BRITAIN



FOR THE YEAR ENDING DECEMBER 31, 1946

FIFTY-FIRST ANNUAL REPORT

THE CROW'S NEST PASS COAL COMPANY, LIMITED

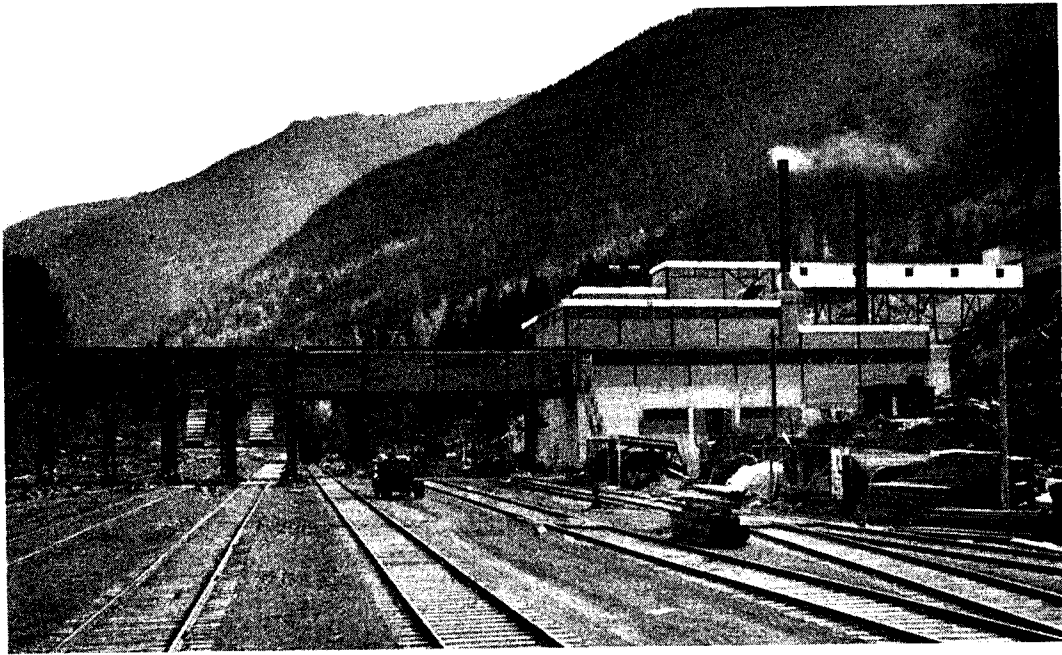
FERNIE, BRITISH COLUMBIA

(Incorporated 1897)



HEAD OFFICE, FERNIE, B.C.

YEAR 1947



PREPARATION PLANT ELK RIVER COLLIERY



MINE RESCUE TEAM ELK RIVER COLLIERY

BOARD OF DIRECTORS

H. P. Wilson	Thomas Balmer	Welles V. Moot
Erasmus C. Lindley	F. D. Pratt	T. J. Thomas
	D. M. Mitchell	

EXECUTIVE COMMITTEE

Thomas Balmer, <i>Chairman</i>	
H. P. Wilson	F. D. Pratt
T. J. Thomas	D. M. Mitchell

OFFICERS

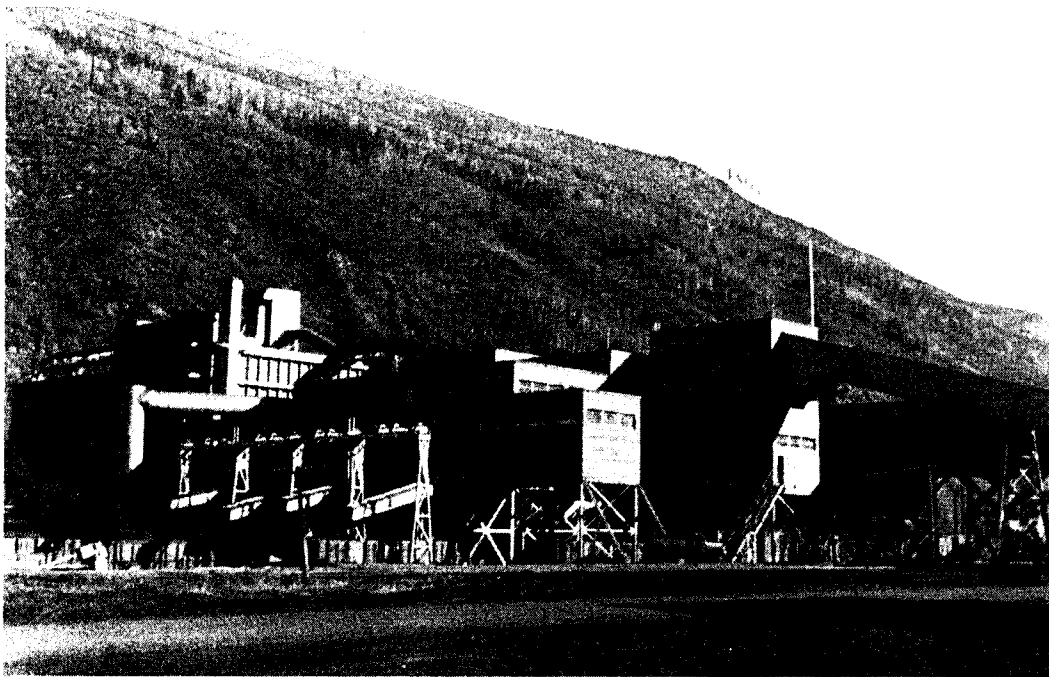
H. P. Wilson	President
Thomas Balmer	First Vice-President
F. D. Pratt	Second Vice-President
J. A. Tauer	Comptroller
T. H. Wilson	General Manager
T. G. Ewart	Secretary & Asst. to the President
D. M. Mitchell	Assistant Secretary
A. L. McPhee	Treasurer
Welch, Anderson & Company	Auditors

TRANSFER AGENTS

The Toronto General Trusts Corporation, Toronto, Ont.
Bankers Trust Company, New York, N.Y.

REGISTRARS

National Trust Company, Limited, Toronto, Ont.
Central Hanover Bank & Trust Co., New York, N.Y.



PREPARATION PLANT MICHEL COLLIERY

FOREWORD

The close of 1946 marks the fiftieth Anniversary of the Crow's Nest Pass Coal Company, Limited.

In that period in the service of railroads, industry and domestic heating, your company has produced a greater tonnage of coal and coke than any other company in Western Canada.

During these fifty years the quality of our products has always been maintained at the highest level and today is regarded as the standard in the market area being served.

The utilization of technical developments in mining methods and in preparation of market products, provides the opportunity for still greater service in the future, to consumers in Canada and Northwestern United States.

REPORT OF THE PRESIDENT

Fernie, British Columbia, March 31, 1947.

To The Shareholders of The Crow's Nest Pass Coal Company, Limited:

It is a privilege to present the fiftieth Annual Report of your Company for the year ended December 31st, 1946, together with Balance Sheets and statements of Income and Surplus duly certified by your Auditors, Welch, Anderson & Company.

INCOME

Net Profit after provision for taxes, amortization, depreciation and depletion, was \$40,475.41, which is a decline from \$91,118.66 earned the previous year. The low net income primarily resulted from depreciation accruals which were extraordinarily large, including \$365,525.48 for amortization of facilities built during the war, and from reduced total production. The principal reasons for this reduced total production were inability to secure sufficient miners, the introduction of the 40-hour week in our operations on July 1, 1946, and considerable absenteeism. In addition increased costs of materials were not reflected in selling prices until October, 1946, when prices were adjusted following a substantial wage increase to our employees.

DIVIDENDS

Distributions to shareholders during the year amounted to the sum of \$186,354.00, which is equivalent to \$3.00 per share. Although earnings in 1946 fell considerably short of this amount your Directors gave consideration to profits accrued in prior years and to the amount involved in special amortization previously mentioned in this Report.

INVESTMENTS

Your Company as of the close of business on December 31, 1946, had investments of \$774,002.39 in Dominion of Canada bonds at varying maturity dates. Investment in these securities was made with cash realized from depreciation and depletion reserves and is maintained as a safety measure to provide for emergency and Capital Expenditures.

CAPITAL EXPENDITURES

The net Capital Expenditures made by this Company and its subsidiaries during the year amounted to \$184,544.36. Most of these expenditures were incurred in a program to increase mechanization in underground operations and for the purchase of a new locomotive for the railroad subsidiary. This should result in greater efficiency and be favorably reflected in future operations.

PRODUCTION

Coal mined amounted to 871,109 tons as compared with 903,971 tons in 1945. This reduction is the result of a shortage of labor and the introduction on July 1st, 1946, of the 40-hour week at your operations, compared with 48 hours per week formerly worked. A strip mine is being developed near Erickson Creek adjacent to your Michel Colliery. The extent of the area that can profitably be stripped has not yet been proven but a large enough area has been developed to ensure a substantial contribution to your total production in 1947. Coke produced amounted to 74,066 tons in 1946 compared with 74,464 tons in 1945. Every effort is being made to increase mechanization at the collieries and to secure additional men for underground operations.

MARKETS

Your Company continues to enjoy an excellent demand for its total production. The quality of all products has been maintained at the usual high level and the reputation of the Company as a producer of high quality coal and coke is an enviable one. Production did not permit expansion of sales and consequently total tonnage was distributed to regular customers, with most of whom mutually satisfactory and pleasant relations have extended over many years.

EMPLOYEES

A new agreement with employees who are members of District 18, U.M.W.A., became effective October 1st, 1946. This provided for increased pay, a shorter working week and increased holiday with pay benefits. The contract is effective until March 31st, 1948.

SUBSIDIARIES

Two subsidiary companies are wholly owned, i.e., the Morrissey, Fernie and Michel Railway and the Crow's Nest Pass Electric Light and Power Co. Ltd. According to best information and appraisal available, the investment in the subsidiaries as reflected on the parent company's books does not exceed the net worth of their assets.

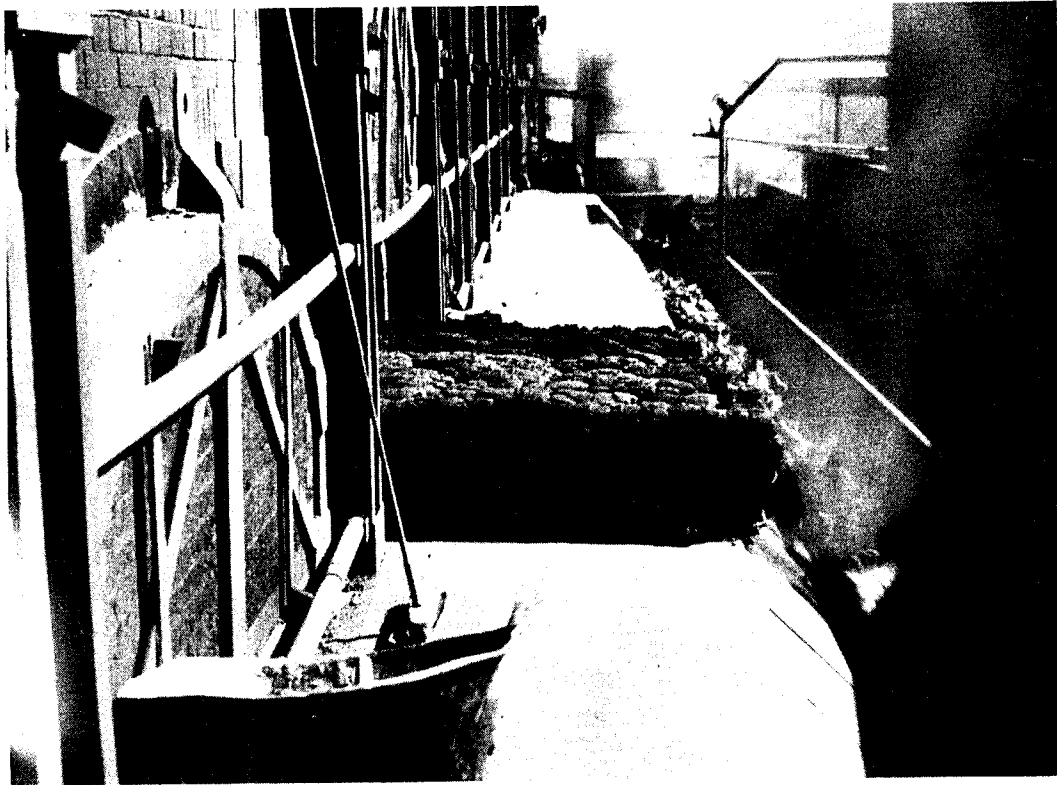
CONCLUSION

Present conditions of high wages and rising prices in the cost of our materials necessitate improvement in total production and in the tons per man-day worked to enable your company to earn a fair return and maintain its markets. Some improvement in this regard is anticipated for the year 1947, and it is expected that present adjusted selling prices will prevail for the same period.

In the following pages statistics and general information covering the past 50 years are presented for your consideration. In that period of time you have been served with a loyal and efficient staff and the results of this period are in no small measure due to this factor.

By order of the Board of Directors,

H. P. WILSON,
President



BY-PRODUCT COKE BEING TUSHED FROM A CURRAN-KNOWLES OVEN

COKE

In 1939 a battery of 10 Curran-Knowles By-product coke ovens was completed at the Michel Colliery. These proved satisfactory and an additional battery of 10 Curran-Knowles ovens was completed in 1943. The 20 ovens have a capacity of 60,000 tons of coke per year. Labor cost of this by-product coke is less than beehive oven coke previously produced, and in addition tar is produced for sale, and gas for use under colliery boilers. These by-products are not recovered in beehive oven operation. Yield of coke per ton of coal is also higher in by-product ovens than in beehive. The by-product coke produced is of excellent quality and finds a ready market for use by smelters and industry generally. A small tonnage of coke however is still produced in beehive ovens to augment the by-product coke oven production.

THE CROW'S NEST PASS

BALANCE SHEET,

ASSETS

Cash on hand in banks.....	\$ 286,506.03	
Accounts Receivable.....	476,174.94	
Coal, coke and by-products and Mine Supplies, at cost or useful values.....	406,556.28	
Bonds and Shares (Market value \$791,325.00) at cost.....	774,080.04	
		\$1,943,317.29
Shares (no established market value), nominal value.....		2.00
Imperial Bank of Canada, Dividend Account—To provide for issued and outstanding dividend cheques, per contra.....		7,208.01
Account Receivable—subsidiary—wholly owned company.....	131,748.82	
Shares of wholly owned companies.....	335,690.03	
		467,438.85
Dominion of Canada—Refundable Excess Profits Taxes.....		28,185.12
Mines, Real Estate, Buildings, Plant and Equipment at cost, less amounts written off to reserves.....	8,368,377.64	
Less: Reserves for depletion, depreciation and amortization.....	5,491,265.90	
		2,877,111.74
Deferred Charges.....		13,291.48
Coal Stripping.....		4,157.81
Total.....		<u>\$5,340,712.30</u>

AUDITORS' REPORT AND CERTIFICATE

To the Shareholders, The Crow's Nest Pass Coal Company, Limited, Fernie, B.C.

We report that we have audited the books and accounts of your Company for the year ended December 31st, 1946, and certify that we have obtained all the information and explanations required.

We confirmed the securities of the Company held for safekeeping by the Imperial Bank of Canada, Vancouver Branch, by certificate from the depository.

The cash and bank balances were verified, either by actual count or by certificates from the depositories.

Full provision has been made for Income and Excess Profits Taxes.

The Balance Sheet and Statement of Income submitted herewith do not include the assets, liabilities, or the operating results of your subsidiary Companies other than by way of your investment in the shares of the subsidiaries. The operations of the subsidiary Companies for the year ended December 31st, 1946, resulted in a profit.

Subject to the foregoing, we certify that the accompanying Balance Sheet and Statement of Income are, in our opinion, properly drawn up so as to exhibit respectively a true and correct view of the state of the Company's financial affairs as at December 31st, 1946, and the result of its operations for the year ended that date, according to the best of our information, the explanations given us and as shown by the books of the Company.

WELCH, ANDERSON & COMPANY,

Chartered Accountants.

February 26th, 1947.

PASS COAL COMPANY LIMITED

SHEET, DECEMBER 31st, 1946

LIABILITIES

Accounts Payable, including accrued wages	\$ 102,835.70
Accrued taxes and assessments	3,682.46
Account Payable to wholly owned subsidiary company.	25,498.26
Income and Excess Profits Taxes—remainder payable	2,310.66
	<hr/>
	134,327.08
Dividend Cheques issued and outstanding, per contract	7,208.01
Reserve for Refundable Excess Profits Taxes	28,185.12

Capital—

Authorized \$10,000,000.00 divided into 100,000 shares of the
par value of \$100.00 each.

Subscribed and paid up

\$6,212,666.66

Deficit—

December 31st, 1946, as shown on accompanying statement .. 1,041,674.57

5,170,992.09

Total

\$5,340,712.30

This is Balance Sheet referred to in Auditors' report dated February 26th, 1947.
Signed on behalf of the Board,

THOMAS BALMER, *Director*
F. D. PRATT, *Director.*

THE CROW'S NEST PASS COAL COMPANY, LIMITED

STATEMENT OF INCOME

For the Year Ended December 31st, 1946

Profit on coal and coke operations, before following charges	\$ 579,593.35
<i>Less:</i> Executive Officers' Salaries	\$ 41,605.45
Counsel and Legal Fees	2,480.57
Directors' Fees	2,500.00
Provision for depreciation and amortization of fixed assets; and depletion of mines	519,549.82
	<u>566,135.84</u>
	13,457.51
OTHER INCOME:	
Interest and Dividends on Securities, including amortization of investments \$67.31	18,302.25
Interest on Bank Balances, Exchange, etc., net	2,659.09
Sundry Income net	24,844.04
	<u>45,805.38</u>
	59,262.89
Provision for Income Taxes, current year	9,983.02
Provision for Excess Profits Taxes, current year	12,201.46
	<u>22,184.48</u>
<i>Less:</i> Adjustment of Income and Excess Profits Taxes re assessments for prior years	3,397.00
	<u>18,787.48</u>
Net Profit for year	<u>\$ 40,475.41</u>

STATEMENT OF DEFICIT

December 31st, 1946

Distributions to shareholders to December 31st, 1939, from funds derived through creation of reserve for depletion per resolution of Directors	*\$1,340,632.20
<i>Deduct:</i> Undistributed profits to December 31st, 1945	444,836.22
Profit for year ended December 31st, 1946, as shown on Statement of Income	40,475.41
	<u>485,311.63</u>
<i>Less:</i> Dividends paid in 1946	186,354.00
	<u>298,957.63</u>
Deficit, December 31st, 1946, as shown on Balance Sheet	<u>\$1,041,674.57</u>

*This amount represents distributions paid to Shareholders under Section 83, ss 4 and 5 of the Dominion Companies Act.

OUR GOLDEN ANNIVERSARY

In 1897 when Canada was a young nation and before the west experienced its period of development and growth, plans were laid for the development of your Company. Railway facilities were not available at that time but there was abundant faith in the quality of our coal, the extensive reserves on the property, and the future development of the country. In the Directors' Annual Report for the year 1898 there is the following statement, "No effort or expense has been spared to constitute the company's property 'a going concern' ready to supply the demand of the public." This recognition of service to the public has been maintained throughout our first 50 years and it can be truly said that in this period of time no effort or expense has been spared to keep your collieries efficient and well equipped, and the quality of coal and coke paramount in our market.

On this occasion it is felt desirable to outline some of the facts regarding your property, its plant and equipment.

PROPERTY

Land owned by The Crow's Nest Pass Coal Company Limited is 245,581.014 acres, and by a subsidiary, The Crow's Nest Pass Electric Light and Power Company, Limited, 2,621.01 acres. It is impossible, with present available information, to give any accurate figure on the coal reserves in this property. However, our engineering department has prepared estimates covering an area of 7,168 acres at Michel and 2,090 acres at Elk River Colliery. These estimates show 36,310,000 tons of assured coal which can reasonably be recovered while exhausting the area now being mined.

Probable coal in this limited area is estimated at 66,490,000 tons. This estimate is based on prospecting at the outcrops on the opposite sides (when practical) of the coal fields, from workings old or new, or from diamond drill holes.

It is of course known that the total coal reserves in the area are much more extensive than the figures quoted above, and all available information indicates there are reserves of several billion tons.

PLANT

Two modern collieries are operated, one at Michel and the other some $4\frac{1}{2}$ miles from Fernie, known as Elk River Colliery. These properties are maintained in excellent condition, and wherever it is practicable to utilize improved methods or more modern equipment, this is promptly done. Both collieries have modern preparation plants for sizing, washing and dustless treating our coal production. The preparation plant at Michel Colliery was completed in 1938 and the one at Elk River Colliery in 1943. Each of these plants has a capacity of 2,000 tons per 8 hour shift and they are equipped and operated to efficiently produce clean, low ash coal, suitable for our market.

GENERAL

Over a fifty year period many changes have occurred in the use of coal, the use of substitutes for coal, and the economic value of our coal to various industries. Inevitably these economic factors resulted in the loss of some valued customers. However, in all this period our ability to produce high quality coal at competitive prices has always enabled us to replace such lost tonnage. Our market area covers from Northwestern Ontario to Vancouver, B.C., and the Inland Empire area of the States of Washington and Idaho.

Our principal coal sales now, as over the last fifty years, are to railroads, smelters, coke and gas plants, cement plants and similar types of industry.

Our coke is used primarily by smelters and in general by foundries and miscellaneous industries. The area served is from Winnipeg, Man., to Vancouver, B.C., and the States of Washington and Idaho.

In the field of production it is probably superfluous to observe that there is no comparison in mining methods today compared with those of fifty years ago. Modern machinery has revolutionized coal mining and this is a continuing process.

Your Company is alert to possibilities with respect to developments in utilization of coal and coal by-products. It has the only by-product coke ovens in Canada located at the colliery site and will continue to maintain a progressive policy toward utilization of the latest developments in research along this line.

The mining industry operates under the strict supervision and regulation of the Dominion and Provincial governments and your Company endeavours to carry out faithfully to the best of its ability strict compliance with such regulations.

The large portion of our income now necessary to pay Dominion Income Taxes and the continually expanding Social Services of Government, give rise to considerable apprehension. In this respect the continuously increasing benefits granted under The Workmen's Compensation Act, the cost of Unemployment Insurance, and increased taxes under the recently enacted Public Schools Act, are noteworthy.

CONCLUSION

In the past fifty years there are many things to which we can point with pride. Outstanding, however, is the contribution made by this Company in the recent War. Our production of coal and coke played an exceedingly vital part in maintaining transportation and public utility services, and in supplying producers of lead, copper, zinc, magnesium, aluminum, cement and various alloys. Practically our total production was allocated to essential industry, particularly railroads and those engaged in the production of base metals, and to foundries and shipyards.

During the Company's 50 years existence disbursements have been made as follows:

Payrolls	\$76,200,000
Materials and Supplies	14,700,000
Taxes	8,100,000
Dividends	11,200,000
Provision for Replacement of Plant and Property	8,800,000

From the above tabulation one can visualize the magnitude of your Company's contribution in the form of employment and taxes to the national economy at the same time maintaining a continuous record of annual dividend payments for all except 10 of the 50 years of its existence.

We also take pride in the contribution made to the war effort both as to the number of employees furnished the armed forces and in the production of one of the nation's vital commodities.

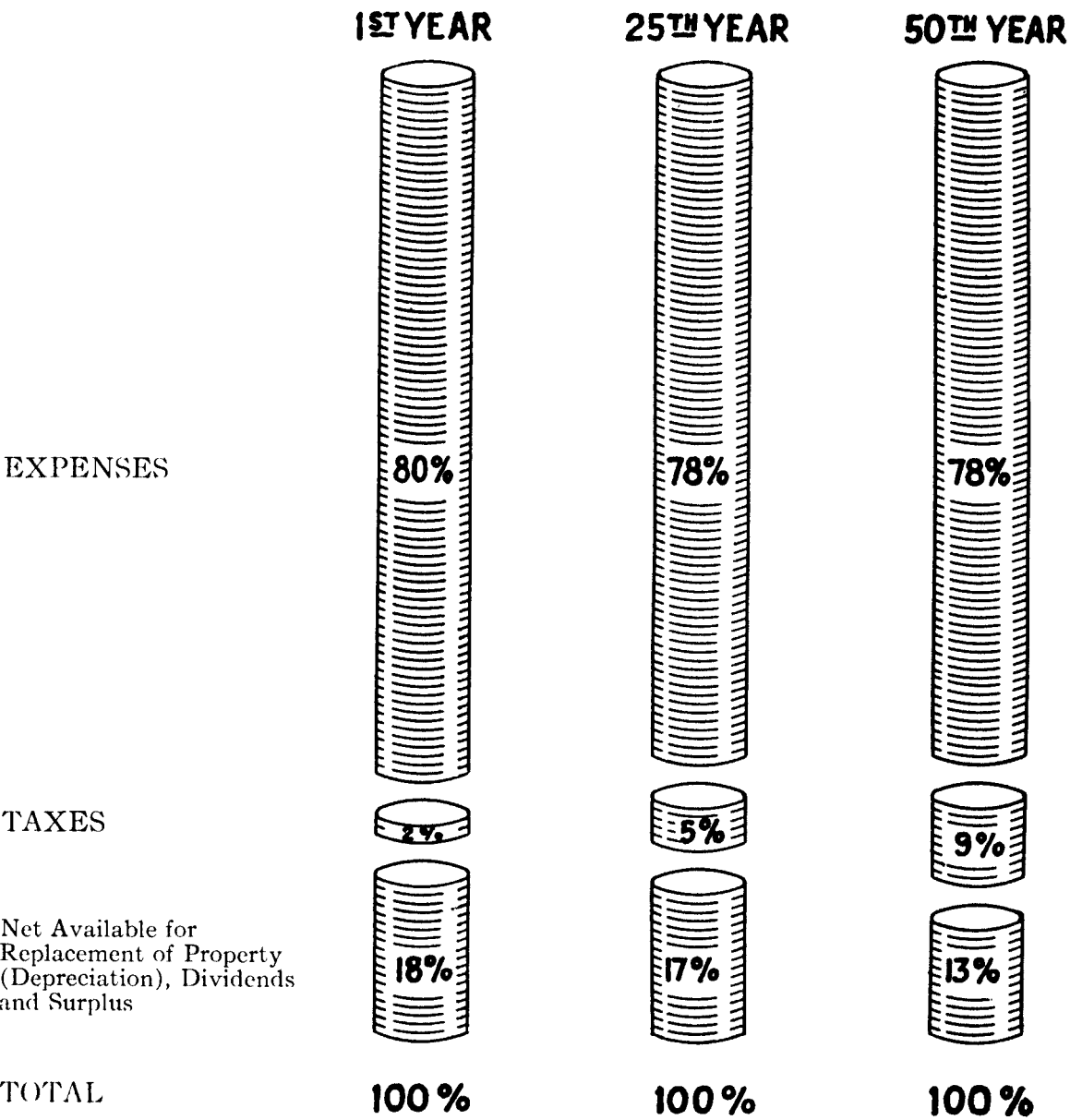
We look forward to our next fifty years of service with the full realization that the diverse and varying needs of our customers, at reasonable prices, can only be met in continuing to supply coal and coke of the highest quality, produced by the most modern methods.

And so we confidently face the future—with excellent coal and modern facilities—and the desire to efficiently and economically be of service to our many customers and the public generally.

Following is chart showing the comparative disposition of your Company's gross income for 1897, 1921, and 1946, being the first year of its existence and each twenty-five years thereafter:

THE CROW'S NEST PASS COAL COMPANY, LIMITED

COMPARATIVE DISTRIBUTION OF REVENUE DOLLAR



Following is chart showing the comparative disposition of gross income in the aggregate during the past twelve years to December 31, 1946.

